The Relevance of Accounting Theory on Business Financial Performance in Nigeria

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Doi:10.19044/esj.2018.v14n25p37 URL:http://dx.doi.org/10.19044/esj.2018.v14n25p37

Abstract

The study was on the relevance of accounting theory on business financial performance in Nigeria. The objective of the study was to examine how accounting theory affects financial performance of business in Nigeria. The research was carried out, using three quoted companies (Berger Paint, Lafarge Cement and Meyer Plc) as the study area. Secondary data was gotten from the companys' audited annual reports on return on asset with multiple regression analysis. Findings revealed that accounting theory have no significant relationship with the financial performance of business organizations in Nigeria. Thus, it is recommended that the Management of quoted companies must introduce new accounting theories to improve their financial reporting quality and performance; so that the level of their profit can significantly increase.

Keywords: Accounting Theory, Financial Performance, Financial Reporting Quality, Return on Asset

1.1 Introduction

Accounting is often called the language of business because the purpose of accounting is to communicate or report the results of business operations and its various aspects to various users of accounting information (Mahesh, 2004). The language is the means of communication of ideas or feelings by the use of conventionalized signs, gestures, marks and articulated vocal sound. In the same way, the accounting language serves as a means to communicate matters relating to various aspects of business operations. In fact, today, accounting statements or reports are needed by various groups such as shareholders, creditors, potential investors, columnist of financial newspapers, proprietors and others. It is the language that managers use to communicate the firm financial and economic information to external parties like shareholders and creditors (Badia, 2018).

In view of the utility of accounting reports to various interested parties, it becomes imperative to make this language capable of commonly understood by all. Accounting could become an intelligible and commonly understood language if it is based on generally accepted accounting principles (Mahesh, 2014). Hence, you must be familiar with the accounting principles behind financial statements to understand and use them properly. As the individual business enterprises keep their accounting records separately, the offer to communicate is essentially from a business enterprise to various individuals, groups and institutions that are having interest in the operations and results of that enterprise. Although accounting is generally recognized with the business, trade and profession, the business enterprise is not the only kind of organization that makes use of accounting. Legal entities ranging from individual to governments use prepared financial statement to obtain information on the financial position and performance of the entity in question. Just as the business enterprises like firms, companies, societies and institutions keep their accounts, the nations and even the individual owners of the business and professional entities thus.

It is necessary to have a good knowledge of accounting-grammar (in the shape of construction of accounts, conventions, concepts, postulates, principles, standards etc.) to interpret accounting information for purposes of communication, reporting, decision making or appraisal. "The growth of business organizations in size, particularly publicly-held corporation, has brought pressure from stockholders, potential investors, creditors, governmental agencies, and the public at large, for increased disclosure. The public right to know more about organizations that directly and indirectly affect them (whether or not they are shareholders) is being increasingly recognized as essential. An open society is one that has a high degree of freedom at the individual level and typically evidences an effective commitment to measuring the quality of life attained. These characteristics make it essential that the members of that society be provided adequate, understandable, and dependable financial information from the major institutions that comprise it (Jawahar, 2017).

Profit calculation now is no longer a simple comparison of financial values at the beginning and end of a transaction or series of transactions. It is now related to a complex set of allocations and valuations pertaining to the operational activities of a business enterprise. The concept of accountancy or accounting is now broader to include the description of the recording, processing, classifying, evaluating, interpreting and supplying of economic financial information for Financial statement presentation and decision making purposes (American Accounting Association, 1996). In its tasks, accounting has been successful technically and methodologically.

Accounting, thus, has gone through many phases: simple double entry bookkeeping, enterprise, government, and cost and management accounting and recently towards social accounting. These phases have been largely a product of changing economic and social environments. As business and society have become more complex over the years, accounting has developed new concepts and techniques to meet the ever increasing needs for financial information. Without such information, many complex economic developments and social and economic programmed might never have been undertaken.

Back in 1941, The Committee on Terminology of the American Institute of Certified Public Accountants (AICPA) formulated the following definition, which was widely quoted "Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof."

In 1966, The American Accounting Association (AAA), in order to emphasize the broader perspective of accounting, provided the following definition of accounting, "Accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information."

In 1970, the AICPA of USA defined accounting with reference to the concept of information, "Accounting is a service activity. Its function is to provide quantitative information primarily financial in nature about economic activities that is intended to be useful in making economic decisions". The term, 'quantitative information' used in the above definition is wider in scope than financial or economic information. Both the definitions, AAA (1966), and AICPA (1970) emphasize on using the information for the purposes of decision making. The modern accounting, therefore, is not merely concerned with record keeping but also with a whole range of activities involving planning, control, decision making, problem solving, performance measurement and evaluation, coordinating and directing, auditing, tax determination and planning, cost and management accounting. Both, managers within an organization and interested outside parties uses accounting information in making decisions that affect the organization. The today's accounting focuses on the ultimate needs of those, who use accounting information.

The financial information or data recorded in the books of account must further be analyzed and interpreted to draw meaningful conclusions. Thus, analysis of accounting information will help the management to assess in the performance of business operation and forming future plans. The end users of accounting information must benefit from the analysis and interpretation of data as some of the end users are the 'stock-holders'. Comparison of past and present statements and reports, use of ratios and trend analysis are the different tools of analysis and interpretation.

From the above discussion one can conclude that accounting is an art which starts and includes steps right from recording of business transactions of monetary character to the communicating or reporting the results thereof to the various interested parties.

2.0 Literature Review

2.1.1 Concept of Accounting Practice and Accounting Theory

Accounting theory is a set of broad principles that provide a general frame of reference by which accounting practice can be evaluated and guide the development of new practices and procedures (Hendrickson, 1992). According to Perara and Matthew (1996), it can also be defined as logical reasoning in the form of a set of broad principles that provide a general frame of reference by which accounting practice can be evaluated and guide the development of new practices and procedures. It is the rationalization of the rules of accounting which further explains the manner in which accountants gather, records, classifies report and interprets financial data especially when monetary amount is determined in the financial statements.

Dodd and Ruzycki (2008) opined that accounting theory consists of the basic assumptions, definitions, principles and concepts and how they are derived. It is used to explain existing practices and procedures to obtain a better understanding and revolving areas of diversities among users of financial statements. Unifying the views of American Association (A.A.A) (1996), AICPA (1970) and Anao, (1996), they define Accounting theories as a cohesive set of conceptual, hypothetical and pragmatic propositions explaining and guiding the accountants' actions in identifying, analyzing, measuring and communicating economic information's to the users of financial statements.

The day to day accounting practices are performed by successful application of those established and generally accepted theories and principles, as due changes in the economy, the society changes, similarly, due changes in the socio economic structure in any country, the pattern of accounting practices may also change (Sumilan, 2017). .If there is any change in the accounting pattern; the pertinent theories also need necessary modification and modulation.

Theories also help the Accountant in solving real world accounting problems which may crop up during the practice of accounting also there could be flaw and defects in the accounting system and if the accountant has got sufficient knowledge of accounting theories he can easily find out and administer advices to the management as to the future protection (Sumilan, 2017). There cannot be any practice without the proper theoretical knowledge because theories emerge out of constant observation, analysis, examination of the theoretical problems and procedures. Therefore, theories are considered to be the platform or pillar on which the whole structure of accounting stands upon.

2.1.2 The Financial Performance Analysis

The business itself as well as various interested groups such as managers, shareholders, creditors, tax authorities, and others seeks answers to the following important questions:

1. What is the Financial Position of the firm at a given point of time?

2. How is the Financial Performance of the firm over a given period of time?

These questions can be answered with the help of financial analysis of a firm.

Financial analysis involves the use of financial statements. A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of Statement of financial position, or may reveal a series of activities over a given period of time, as in the case of an Income Statement.

"The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance." Financial performance includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between statement of financial position and Income Statement (Robit, 2014) .The first task is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second is to arrange the information in a way to highlight significant relationships. The final is interpretation and drawing of inferences and conclusions. In short, "financial performance analysis is the process of selection, relation, and evaluation."(Meigs, 1978). Financial analysis is beneficial for short term as well as long term solvency (Nilanjan, 2013). Financial statements are significant analytical tools for the management of the business and it is essential to analyze the financial performance of the company with its financial statement (Anusha, 2013)

According to Eldon and Hendrickson (1984), "The primary focus of financial reporting is information about an enterprise's performance provided by measures of earnings and its components". In order to analyze financial statement properly, users must have a basic understanding of the concept and principles underlying their preparation. Without such an understanding users will not recognize the limits of financial statements. In the opinion of Stanley (1984), "The financial manager must know how to interpret and use these financial statements in the allocation of the firm's financial resources to generate the best return possible in the long run. Finance is the link that integrates the economic theory with the numbers of Accounting." Measurement of performance through the financial statement analysis provides a good knowledge about the behavior of financial variables for measuring the performance of different units in the industry and to indicate the trend of improvement or deterioration in the organizations. "Performance is dependent on effort, abilities, traits and the individual's perception of his role (Michael 1981)". While measuring the performance of a firm or an enterprise we need a measuring unit. Human aims and beliefs are mostly realized through the establishment of diverse kinds of associations. All associations were established for fulfillment of some goals and objectives. Thus association needs performance measurement to find out as to how much is organization has achieved by its course of action for its targets.

Ratios have been used as a measure of performance in various instances. Altman (1968) developed a model that uses ratios for bankruptcy prediction of firms. Prior to Altman, there was Beaver (1966) who also employed financial ratio in predicting the financial health of firms. Subsequently Beaver (1966) and Alltman (1968) study were followed by other researches in predicting firms' bankruptcy (for example; Charitou, (2004); Beaver, Mcnichols & Rhie (2005); Dewaelheyns & Van Hulle, (2006). All these studies have equally adopted financial ratios in predicting the financial health of the sampled firms. The use of financial ratios in measuring performance is not limited to bankruptcy prediction. Rather, they have been employed in various other contexts. Liu and O'Farrell (2009) employed financial ratios in comparing the strengths and weaknesses of US firms and China firms. Therefore, performance measure entails comparing actual results with an established standard.

2.1.3 Significance of Financial Statements Analysis

Business is mainly concerned with the financial activities. In order to ascertain the financial status of the business every enterprise prepares certain statements, known as financial statements. Financial statements are mainly prepared for decision making purposes (Trivedi, 2010). The information provided in the financial statements is not adequately helpful in drawing a meaningful conclusion. Thus, an effective analysis and interpretation of financial statements is essential to measure the efficiency, profitability, financial soundness and future prospects of the business units.

Financial analysis serves the following purposes:

1. **Measuring the profitability**

The main objective of a business is to earn a satisfactory return on the funds invested in it. Financial analysis helps in ascertaining whether adequate profits are being earned on the capital invested in the business or not. It also helps in knowing the capacity to pay the interest and dividend. It enhances customer's confidence level through goodwill (Burca & Batrinca, 2014)

2. **Indicating the trend of Achievements**

Financial statements of the previous years can be compared and the trend regarding various expenses, purchases, sales, gross profits and net profit etc. can be ascertained. Value of assets and liabilities can be compared and the future prospects of the business can be envisaged.

3. **Assessing the growth potential of the business**

The trend and other analysis of the business provide sufficient information indicating the growth potential of the business.

4. **Comparative position in relation to other firms**

The purpose of financial statements analysis is to help the management to make a comparative study of the profitability of various firms engaged in similar businesses. Such comparison also helps the management to study the position of their firm in respect of sales, expenses, profitability and utilizing capital, etc.

5. **Assess overall financial strength**

The purpose of financial analysis is to assess the financial strength of the business. Analysis also helps in taking decisions, whether funds required for the purchase of new machines and equipment are provided from internal sources of the business or not if yes, how much? And also to assess how much funds have been received from external sources.

6. **Assess solvency of the firm**

The different tools of an analysis tell us whether the firm has sufficient funds to meet its short term and long term liabilities or not.

2.1.4 Beneficial Parties from Financial Statement Analysis

There are various advantages of financial statements analysis. The major benefit is that the investors get enough idea to decide about the investments of their funds in the specific company. Secondly, regulatory authorities like International Accounting Standards Board can ensure whether the company is following accounting standards or not. Thirdly, financial statements analysis can help the government agencies to analyze the taxation due to the company. Moreover, company can analyze its own performance over the period of time through financial statements analysis. The need and importance of performance analysis rise from the viewpoint of different parties, which are actively interested in the affairs of an enterprise. Analysis of financial statements has become very significant due to widespread interest of various parties in the financial results of a business unit. The various parties interested in the analysis of financial statements are:

1. **Management**

According to Erich, (1977), **M**anagers are responsible for efficiency, current and long term profit from operations and effective development of capital and other resources in the process." Performance analysis may help the management in evaluating the effectiveness of its own plans and policies.

2. **Employees and Trade Unions**

Employees of the stock exchanges are interested in the profits and the financial position of a concern firm (Mahesh, 2004) .The employees measure the efficiency of the firm with the satisfactory profit margin and adequate cash flow. The employees can compare the past performance and the present performance of firm by performance appraisal.

3. **Investors**

Investors are interested in present and expected future earnings as well as stability of these earnings. Investors are the real investors of any enterprise (Eshna, 2017). In case of stock exchange, the investors can know profitability, productivity and overall efficiency of the stock exchange by studying financial performance analysis of stock exchange. Shareholders or proprietors of the business are interested in the well-being of the business. They like to know the earning capacity of the business and its prospects of future growth.

4. **Bond holders and Lenders**

Bond holders are interested in the cash-flow ability of the firm mainly concerned with the appraisal of firm's capital structure, the major sources and uses of funds, profitability over time, and projection of future profitability (Eshna 2017). Lenders to the business like debenture holders, suppliers of loans and lease are interested to know short term as well as long term solvency position of the entity. They want to know whether the loan and the interest attracting to them will be paid when due (Gulaw, 2016).

5. **Government and its agencies**

The government and its agencies are keen interested in studying the performance of stock exchanges as a whole. By studying the performance of stock exchanges, the government can assess the growth of industries and economy (Shodhganga, 2017). Moreover the government can take decision about tax structure and incentives for stock markets. Government and their agencies need financial information to regulate the activities of the enterprises/ industries and determine various policies. They suggest measures to formulate policies and regulations.

6. **Society**

In the Society, there are various agencies like media, banks, economists, tax consultants and authorities, awakened citizens who are interested in the performance of stock exchanges. The society at large also expects to know about the social performance such as environmental obligations, employment avenues and social welfare etc.

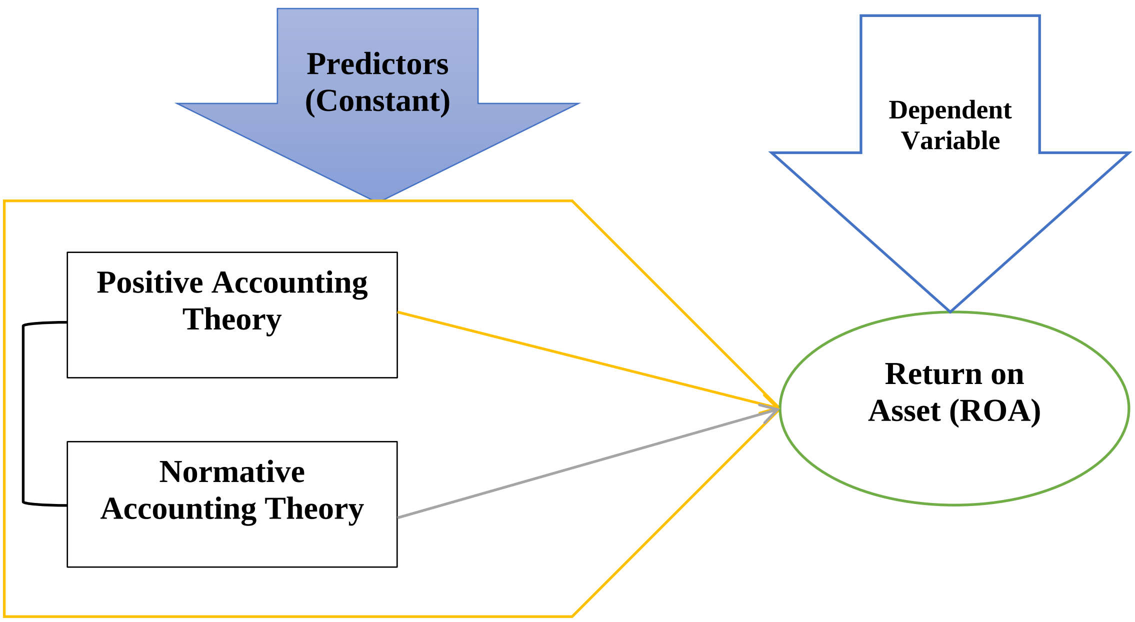
7. **Suppliers and trade creditors**

The suppliers and other creditors are interested to know about the solvency of the business i.e. the ability of the company to meet the debts as and when they fall due. Trade creditors are interested in the liquidity of the firm, that is, appraisal of firm's liquidity (Meigs, 1978)

8. **Researchers**

They are interested in financial statements in undertaking research work in business affairs and practices. Thus, it can be said that different parties have interest in financial statement for different reasons. Measurement of profitability is as essential as the earning of profit itself for a business firm. The profitability of a business firm can be evaluated or measured from number of perspectives, and there are various quantitative as well as qualitative methods that can be employed for this.

2.1.5 Conceptual Framework of Accounting Theory on Business Financial Performance in Nigeria



Source: Researchers' **C**onceptual Framework of Accounting Theory on Business Financial Performance in Nigeria Model

2.2 Theoretical framework

This paper adopted the Stakeholders theory, and Decision usefulness theory, Positive accounting theory and Normative for situating the study.

2.2.1 Stakeholder's theory considers all those who had one input or the other towards achieving organization goals and objectives. These groups are all interested in the overall performance of the business and in its financial reports to ensure proper accountability and profitability.

Many users, especially external, use annual reports to make investment and other decisions. Investors, creditors, lenders have to assess the earnings prospects of companies by examining the implications of the different accounting procedure (Jawahar, 2017). All the users are interested to know the effect of alternative reporting methods, on their decisions (welfare). For example, corporate executives want to know how straight-line method of depreciation affects their welfare *vis-a-vis* accelerated depreciation. Similarly, if a company is concerned about the market value of its shares, the accounting methods effects on share prices are to be analyzed.

2.2.2 'Decision-Usefulness' Theory

The decision-usefulness theory emphasizes the relevance of the information communicated to decision making and on the individual and group behavior caused by the communication of information. Accounting is assumed to be action-oriented, its purpose is to influence action, that is, behavior; directly through the informational content of the message conveyed and indirectly through the behavior of preparers of accounting reports. The focus is on the relevance of information being communicated to decision makers and the behavior of different individuals or groups as a result of the presentation of accounting information.

In the study of Patton and Littleton (1940), they gave user need even more prominent attention, including them in their statement of the purpose of accounting. The purpose of accounting is to furnish financial data concerning a business enterprise compiled and presented to meet the needs of management, investors and public. The most important users of accounting reports presented to those outside the firm are generally considered to include investors, creditors, customers, and government authorities.

However, decision usefulness can also take into consideration the effect of external reports on the decisions of management and the feedback effect on the actions of accountants and auditors.

Since accounting is considered to be a behavioral process, this theory applies behavioral science to accounting. Due to this, decision-usefulness theory is sometimes referred to as behavioral theory also. In the broader perspective, decision usefulness studies analyses behavior of users of information. A behavioral theory attempts to measure, and evaluate the economic, psychological and sociological effects of alternative accounting procedures and modes of financial reporting.

According to Chambers (1955),"The objective of accounting is to provide financial information about the economic affairs of an entity to interested parties for use in making decisions". To be useful in making decisions, financial information must possess certain normative qualities such as relevance, reliability, objectivity, verifiability, freedom from bias, accuracy, comparability, understandability, timeliness and economy. It must also provide for the development of the theory on the basis of knowledge of decision processes of investors, tax authority, negotiating regulating agencies and other external users of accounting as well as managers.

2.2.3 Positive Accounting Theory

The basic message in positive theory of accounting is that most accounting theories are unscientific because they are normative and should be replaced by positive theories that explain actual accounting practices in terms of management's voluntary choice of accounting procedures and how the regulated standards have changed over time. It attempts to set forth and explain what and how financial information is presented and communicated to users of accounting data. Positive theory yields no prescriptions and norms for accounting practices. It is concerned with explaining accounting practice. Watts and Zimmerman (1986) asserted that, "The objective of positive accounting theory is to explain and predict accounting practice. Explanation means providing reasons for observed practice. For example, positive accounting theory seeks to explain why firms continue to use historical cost accounting and why certain firms switch between a numbers of accounting techniques.

Prediction of accounting practice means that the theory predicts unobserved phenomena." Unobserved phenomena are not necessarily future phenomena; they include phenomena that have occurred, but on which systematic evidence has not been collected. For example, positive theory research seeks to obtain empirical evidence about the attributes of firms that continue to use the same accounting techniques from year to year versus the attributes of firms that continually switch accounting techniques. We might also be interested in predicting the reaction of firms to a proposed accounting standard, together with an explanation of why firms would lobby for and against such a standard, even though the standard has already been released. Testing these theories provides evidence that can be used to predict the impact of accounting regulations before they are implemented.

2.2.4 Normative Accounting Theory

The 1950s and 1960s are described as the 'golden age' of normative accounting research. During this period, accounting researchers became more concerned with policy recommendations and with what should be done, rather than with analyzing and explaining what currently accepted practice was. Normative theories in this period concentrated either on deriving the 'true income' (profit) for an accounting period or on discussing the type of accounting, information which would be useful in making economic decisions. Normative accounting theory attempts to prescribe what data ought to be communicated and how they ought to be presented; that is, they attempt to explain 'what should be' rather than 'what is.' Financial accounting theory is predominantly normative (prescriptive). Most users are concerned with what the contents of published financial statements should be; that is, how firms should account (Jawahar, 2017).

Government regulations relating to accounting and reporting has acted as a major force in creating a demand for normative accounting theories employing public interest arguments, that is, for theories purporting to demonstrate that certain accounting procedures should be used, because they lead to better decisions by investors, more efficient capital market, etc. Further, the demand is not for one (normative) theory, but rather for diverse prescriptions and suggestions.

In the study by Scott (2004) and Hodgson (2006), it says whether or not normative theories have good predictive abilities depend on the extent to which individuals actually make decisions as those theories prescribe. Certainly, some normative theories have predictive ability; we do observe individuals diversifying their portfolio investments. However, we can still have a good normative theory even though it may not make good predictions. One reason is that it may take time for people to figure out theory. Individuals may not follow a normative theory because they do not understand it, because they prefer some other theory or simply because of inertia. But, if a normative theory is a good one, we should see it being increasingly adopted over time as people learn about it. However, unlike a positive theory, predictive ability is not the main criterion by which a normative theory should be judged.

It is difficult to say which methodology positive or normative should be used in the formulation and construction of accounting theory. It is argued that, given the complex nature of accounting, accounting environment, issues and constraints, both methodologies may be needed for the formulation of an accounting theory. Positive theory may be used in justifying some accounting practices. At the same time, normative theory may be useful in determining the suitability of some accounting practices which ought to be followed in terms of normative theories (Jawahar, 2017).

3.0 Methodology

This study used ex-post facto research design using the audited financial information extracted from the companies' Financial Statements. The study compares the financial performance of three quoted companies computed from the companies audited financial statements based on Generally Accepted Accounting Principle. Descriptive and inferential statistics is used to analyze the results; data were tested using the Ordinary Least Square Linear Regression model based on Pearson correlation coefficient and findings from the data were presented in tables. This enables the researchers to explain the physical attributes of the data collected while the hypothesis is tested at 5 per cent significance level by means of both t-statistics and f-statistics.

4.0 Results

4.1 Test of Hypothesis

Accounting Theory does not have significant impact on business financial performance in Nigeria.

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.468[a]	.219	.011	.1876256	2.387
a. Predictors: (Constant), Positive Accounting Theory, Normative Accounting					
b. Dependent Variable: Return on Asset					

Source: Researchers' Model Summary Result

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	.148	4	.037	1.051	.414[b]
	Residual	.528	15	.035		
	Total	.676	19			
a. Dependent Variable: Return on Asset						
b. Predictors: (Constant), Positive Accounting Theory, Normative Accounting Theory						

Source: Researchers' ANOVA Result

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.287	.361		.793	.440
	Positive Accounting Theory	-.005	.006	-.323	-.880	.393
	Normative Accounting Theory	.007	.017	.224	.427	.676
a. Dependent Variable: Return on Asset						

Source: Researchers' Coefficients Result

4.2 Discussion of Findings

The Regression analysis above shows that the Model summary statistics revealed that Pearson correlation coefficient represented by letter **''r''** is 0.219 which shows that there is low positive correlation between accounting theory and Return on Asset of Business Organizations. Also, the regression analysis result, reveal that the value of the R Squared is 21.9 per cent (i.e.0.219) and this implies that 21.9 per cent of the variation in the independent variable can be accounted for by the dependent variable, while the remaining 78.1 per cent can be accounted for by other factors outside the model. This simply shows that accounting theory alone have low impact on business financial performance in Nigeria.

The Probability (F-statistic) is not statistically significant. This is because 0.414 is more than the accepted level of significance, which is 0.05. Therefore, the result shows that accounting theory has no significant impact on business financial performance in Nigeria proxy by return on equity (ROE). Likewise, accounting theory in business organization does not have a significant impact on the investment returns gotten from total asset.

Based on the above study assertion, finding shows that accounting theory has no significant relationship with the performance of quoted companies in Nigeria. This is because positive accounting theory has no significant impact on information contained in the financial statement, and this was confirmed by the P-value obtained (0.393) from the statistical analysis. It also shows that normative accounting theory has significant effect on information contained in the financial statement, because the P-value obtained (0.676) was higher than the benchmark value of 5 per cent specified in this analysis.

5.0 Summary and Conclusion

Accounting theory may be based on empirical evidence and practices as well as being formulated using hypothetical and speculative interpretations; it could be developed and refine by the process of accounting research; it could be formulated as a result of both theory construction and theory verification. The certainty is, accounting theory has a great impact on accounting practices and reporting practices because this aids the informational requirements of the external users hence it provides a framework for evaluating current financial accounting practice and developing new practice. It provides accountants with guidance on the most appropriate procedures to adopt in the preparation, presentation and interpretation of financial report.

Theory has great utility for improving accounting practices, resolving complex accounting issues and contributing in the formulation of a useful accounting theory (Jawahar, 2017). The various persons and parties interested in the business like the government, public, investors, money-lenders, researchers etc, rely more on the accountant knowing theories than the accountant without any theoretical knowledge.

Above all, no one can deny now a days the usefulness of having theoretical knowledge in the practice of accounting because it supply effective and accurate information to the management and makes the accountant perform the works skillfully and flawlessly.

Therefore, the researchers concluded that positive accounting and normative accounting theory has no significant impact on business financial performance in Nigeria.

Based on the findings of the study, the following recommendations have been outline which will be useful to stakeholders:

- Management of quoted companies must introduce new accounting theories to improve their financial reporting quality and performance; so that the level of their profit can significantly increase since this study has confirmed that both variables have no significant influence on each other.
- Stakeholders and potential Investors in quoted companies should question any fluctuation in value of return on asset, because the accounting theory adopted has no impact on the variable and which will eventually affect the profit value.
- Quoted organization should ensure they adopt best practices in financial reporting, so as to improve shareholders wealth since this study has established statistically that both variables do not have significant impact on each other.

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